

C A L I F O R N I A



I ♦ F ♦ T ♦ A

INTRODUCTION TO THE  
INTERNATIONAL  
FUEL  
TAX  
AGREEMENT



CONSOLIDATED FUEL TAX  
REPORTING FOR  
INTERSTATE MOTOR  
CARRIERS



STATE BOARD OF EQUALIZATION

Pamphlet 50-A • August 2006 • LDA

## WHAT IS IFTA?



IFTA—the International Fuel Tax Agreement—is a cooperative agreement among states and provinces in the U.S. and Canada. It is designed to simplify fuel tax licensing and reporting requirements for interstate motor carriers. In California, IFTA is administered by our agency, the State Board of Equalization.

## WHY SHOULD I REGISTER FOR IFTA?

IFTA offers several advantages to interstate motor carriers who operate in two or more member states or provinces. Under IFTA, you will

- Register with one IFTA-member state or province as your “base jurisdiction,”
- Obtain a single fuel tax license for all of your qualified motor vehicles, authorizing them to travel in all IFTA jurisdictions, and
- File only one tax return each quarter with your base jurisdiction to report fuel usage and mileage for all IFTA jurisdictions.

In addition, your fuel tax records will generally be audited only by your base jurisdiction.

## IS THERE AN ALTERNATIVE TO IFTA REGISTRATION?

Yes. If you qualify for IFTA but do not choose to register, you must obtain a fuel trip permit from *each* member state or province *every time* you travel into it. You will also be required to purchase a four-day fuel trip permit (for \$30) before returning to California.

Carriers traveling in nonIFTA jurisdictions must continue to comply with those jurisdictions’ fuel tax reporting requirements.

## WHAT IS A “QUALIFIED MOTOR VEHICLE” UNDER IFTA?

A vehicle used or designed to transport people or property in connection with a business is a qualified motor vehicle if it meets *any one* of the qualifications below:

- It has two axles and a gross vehicle or registered gross vehicle weight of more than 26,000 pounds or 11,797 kilograms.
- It has three or more axles (power unit only), regardless of weight.
- It is used in a combination that has a combined or registered gross vehicle weight of more than 26,000 pounds or 11,797 kilograms.

A recreational vehicle such as a motor home or a pickup with a camper is not considered a qualified motor vehicle when an individual operates it exclusively for personal use. Vehicles used in connection with a business or registered under a business name are not considered recreational.

## WHERE COULD I TRAVEL USING IFTA CREDENTIALS?



IFTA credentials are valid for travel in 48 states in the U.S. and ten provinces in Canada.

The jurisdictions listed below are *not* IFTA members and IFTA credentials are *not valid* for travel there:

**United States:** Alaska • Hawaii • District of Columbia

**Canada:** Northwest Territories • Nunavut • Yukon Territory

**Mexico:** All states • Federal District

If you plan to travel in these jurisdictions, please contact them for information regarding their fuel tax reporting requirements. If you travel only between California and Mexico, you are not eligible for an IFTA license. Please contact us for more information.

## WHICH TAXES AND FUELS DOES IFTA COVER?



**Taxes.** IFTA covers fuel taxes only. It does not cover road taxes, weight mileage taxes, or any other jurisdiction-specific taxes. You must continue to pay these taxes directly to the jurisdictions in which you travel.

**Fuels.** Under IFTA, you must generally report information on all fuels used to power your qualified vehicles. However, reporting requirements for fuel used in each jurisdiction are based on that specific jurisdiction's laws and may vary.

For example, California requires carriers to report their use of diesel and “use fuel” for miles traveled in this state. (The most common use fuels are LPG, LNG, CNG, and alcohol fuels such as ethanol, methanol, E-85, and M-85.) California does not require carriers to report use of gasoline, natural gasoline, or gasoline/alcohol blends that contain more than 15 percent gasoline. If your vehicles operate using a fuel other than diesel, please contact us regarding reporting requirements.

## SHOULD I REGISTER FOR IFTA IN CALIFORNIA?

You should register with California as your base jurisdiction if all of the following apply:

- Your qualified motor vehicles are based in California for vehicle registration with

the California Department of Motor Vehicles (DMV).

- You operate from an established physical place of business in California (a post office box, mail drop address, or agent address does not qualify).
- Your fleet's qualified motor vehicles travel on California highways.
- You maintain the operational control and operational records for your qualified motor vehicles in California or you can make those records available in the state.

*Carriers based in nonIFTA jurisdictions:* You may be able to register for IFTA in California. Please contact us for more information.

## HOW DOES IFTA APPLY TO CARRIERS OPERATING ON LEASE AGREEMENTS?



Generally, we will hold the owner of a vehicle responsible for reporting and paying fuel taxes.

However, some lease agreements specify which party—the lessor (owner) or the lessee—will be responsible for reporting fuel taxes. The responsible party should obtain the IFTA license.

No matter who obtains the IFTA license, the driver of an IFTA-licensed vehicle must carry a copy of the license and the vehicle must display IFTA decals. We also recommend that a copy of the lease agreement be kept in the vehicle's cab.

Registration requirements for vehicles operated under a lease agreement may vary. Please contact us for help.

## HOW DO I APPLY FOR A CALIFORNIA IFTA LICENSE?

Please call our Fuel Taxes Division at 916-322-9669, or write:

Motor Carrier Section, MLC: 65  
Fuel Taxes Division  
State Board of Equalization  
P.O. Box 942879  
Sacramento, CA 94279-0065

We will send you a license application. Please complete the entire form and return it with the required fees (see next section). It takes us about ten business days to process your completed application.

## WHAT FEES MUST I PAY UNDER IFTA?

The annual fee for a California IFTA license is \$ 10.00. (As noted earlier, a single license covers all of your qualified vehicles.) In addition, there is a \$ 2.00 per-set charge for annual IFTA decals. You will need one set (two decals) for each qualified motor vehicle you operate in IFTA jurisdictions.

## WILL I HAVE TO POST A SECURITY DEPOSIT?



Usually not. However, we may require security later if you do not file your returns on time, pay fuel taxes on time, or if an audit indicates a problem. If you have been an IFTA licensee in another jurisdiction, we may require you to post security based on your fuel tax reporting and payment record. In addition, we may require a security deposit from carriers based in a nonIFTA jurisdiction who register under IFTA in California.

## WHAT CREDENTIALS WILL I GET?

We will send you one California IFTA license for your business and two decals for each qualified motor vehicle. All are valid for the calendar year. You must renew your license and order new decals each year.

## WHAT IF I NEED TO TRAVEL BEFORE I GET MY CREDENTIALS?



If you need to travel out of state before you get your IFTA credentials, you must purchase fuel trip permits to travel in IFTA jurisdictions and to return to California. You must purchase a California Fuel Trip Permit and enter all required information before you come back into the state. You may obtain permits from us, the DMV, or commercial permit services at some truck stops.

## ARE THERE PENALTIES FOR TRAVELING WITHOUT VALID IFTA CREDENTIALS OR A FUEL TRIP PERMIT?

Yes. If you travel in an IFTA jurisdiction without valid IFTA credentials or a fuel trip permit, you may be subject to a penalty, fine, or citation, depending on the jurisdiction's laws. If you enter California without a valid California Fuel Trip Permit or IFTA credentials, you are subject to a penalty. Penalty amounts range from \$ 100 to \$ 500 or more (if you owe fuel tax, the penalty may be higher than \$ 500). You will also be required to purchase a fuel trip permit and your vehicle may be seized. If that occurs, your vehicle will not be released until you pay all money due to the state, including any costs associated with the seizure of the vehicle.

**MORE . . .**

## WHEN ARE IFTA RETURNS DUE?

You will be required to file returns quarterly and pay any tax due. We will mail you blank return forms at the end of each calendar quarter. You must submit the return and payment by the due date printed on the return. If you do not file a return each quarter and pay the tax due, you may have to pay penalty and interest charges. You must file a return even if you did not travel during the quarter.

## WHAT RECORDS WILL I NEED?

You must maintain records that will adequately document all of the information you provide on your IFTA quarterly tax returns.

Generally, you must maintain records to document all miles you travel—including the date of your trip, route of travel, total trip miles, and miles traveled in each jurisdiction. You must also keep all receipts for fuel you buy and place into your vehicles. If you maintain a bulk fuel storage facility, you must maintain additional records.

The specific, detailed requirements for distance and fuel records are explained in the “Records” chapter of our publication 50, *Guide to the International Fuel Tax Agreement*. It will come with your credentials. Be sure to read that chapter carefully when you get your copy.

## FOR MORE INFORMATION

Please call us at 916-322-9669 or write to:

Fuel Taxes Division, MIC:65  
State Board of Equalization  
P.O. Box 942879  
Sacramento, CA 94279-0065

Website: [www.boe.ca.gov](http://www.boe.ca.gov)

Taxpayers' Rights Advocate: 888-324-2798